

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of Jefferson County, Montana (the "County"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO \$537,000 RURAL SPECIAL IMPROVEMENT DISTRICT NO. 2505 BONDS; FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR" (the "Resolution"), on file in the original records of the County in my legal custody; that the Resolution was duly adopted by the Board of County Commissioners of the County at a regular meeting on November 6, 2007, and that the meeting was duly held by the Board of County Commissioners and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Commissioners voted in favor thereof: \_\_\_\_\_  
\_\_\_\_\_; voted against the same: \_\_\_\_\_  
\_\_\_\_\_; abstained from voting thereon: \_\_\_\_\_  
\_\_\_\_\_; or were absent: \_\_\_\_\_.

WITNESS my hand and seal officially this \_\_\_\_ day of November, 2007.

(SEAL)

\_\_\_\_\_  
County Clerk and Recorder

RESOLUTION NO. 39-2007

RESOLUTION RELATING TO \$537,000 RURAL SPECIAL  
IMPROVEMENT DISTRICT NO. 2505 BONDS; FIXING THE  
FORM AND DETAILS AND PROVIDING FOR THE  
EXECUTION AND DELIVERY THEREOF AND SECURITY  
THEREFOR

BE IT RESOLVED by the Board of County Commissioners (the "Board") of Jefferson County, Montana (the "County"), as follows:

Section 1. Recitals. It is hereby found, determined and declared as follows:

1.01. Resolution of Intention. By Resolution No. 12-2007, adopted May 15, 2007 (the "Resolution of Intention"), this Board declared its intention to create Rural Special Improvement District No. 2505 (the "District"), for the purpose of making special improvements for the special benefit of the District. The Resolution of Intention designated the number of the District, described the boundaries thereof, stated whether the District was an extended district and stated the general character of the improvements to be made (the "Improvements") and an approximate estimate of the costs thereof, in accordance with the provisions of Montana Code Annotated, Title 7, Chapter 12, Part 21, as amended (the "Act"). By the Resolution of Intention this Board also declared its intention to cause the cost and expense of making the improvements specially benefiting the District to be assessed against the properties included within the boundaries thereof in accordance with one or more methods of assessment authorized in Montana Code Annotated, Section 7-12-2151 and as set forth in the Resolution of Intention.

In the Resolution of Intention, this Board further found that it is in the public interest, and in the best interest of the County and the District, to secure payment of principal of and interest on the Bonds by the Rural Special Improvement District Revolving Fund of the County, on the basis of the factors required to be considered under Section 7-12-2185 of the Act. Those findings are hereby ratified and confirmed. Those findings are hereby ratified and confirmed. In the Resolution of Intention, the Board of County Commissioners also declared its intention to reimburse the County for costs paid before issuance of the Bonds, as required by Section 1.150-2 of the Income Tax Regulations promulgated under the Internal Revenue Code.

1.02. Notices. Notice of the passage of the Resolution of Intention was given by two publications, with at least six days between publications, in a qualified newspaper of general circulation in the County, as required by Montana Code Annotated, Sections 7-12-2105(1) and 7-1-2121. Notice of the passage of the Resolution of Intention was also mailed to all persons, firms or corporations or the agents thereof having real property within the District listed in their names upon the last completed assessment roll for state, county and school district taxes, at their last known addresses. The notice described the general character of the Improvements, stated the estimated cost of the Improvements and the method or methods of assessment of such costs against properties in the District, specified the time when and the place where the Board would hear and pass upon all protests made against the making of the Improvements or the creation or extension of the District, referred to the Resolution of Intention as being on file in the office of the County Clerk and Recorder for a description of the boundaries of the District, all in

accordance with the provisions of the Resolution of Intention, and included a statement that, subject to the limitations of Section 7-12-2182 of the Act, the general fund of the County may be used to provide loans to the revolving fund or a general tax levy may be imposed on all taxable property in the County to meet the financial requirements of the revolving fund.

1.03. Creation of District. At the time and place specified in the notice hereinabove described, this Board met to hear, consider and pass upon all protests made against the making of the Improvements and the creation of the District, and, after consideration thereof, it was determined and declared that insufficient protests against the creation or extension of the District or the proposed work had been filed in the time and manner provided by law by the owners of the property to be assessed for the Improvements in the District, and this Board did therefore by Resolution No. 20-2007, adopted July 3, 2007, create the District and order the proposed Improvements in accordance with the Resolution of Intention. In the resolution creating the District, the Board of County Commissioners also confirmed the findings it made with respect to the pledge of the Revolving Fund in the Resolution of Intention.

1.04. Construction Contracts. Plans, specifications, maps, profiles and surveys for construction of the Improvements were prepared by the engineers acting for the County, and were thereupon examined and approved by this Board. An advertisement for bids for construction of the Improvements was published in the official newspaper of the County in accordance with the provisions of Montana Code Annotated, Section 7-12-2131, after which the bids theretofore received were opened and examined. After referring the bids to the engineers for the County it was determined that the lowest regular proposal for the furnishing of all work and materials required for constructing the Improvements in accordance with the approved plans and specifications was the following:

<u>Work</u>	<u>Bidder</u>	<u>Contract Price</u>
The Improvements consist of design, engineering, and construction of upgrades to Bitterroot Mountain Road, Burnt Mountain Road, Crazy Mountain Road, Grassy Mountain Road, Lava Mountain Road, Lone Mountain Road, Ruby Mountain Road, and Shingle Butte Road, all within the Saddle Mountain II and III Developments. These improvement include shaping existing road, constructing and compacting a new crushed base layer, regarding all draining ditches and installing new cross drain pipes and approach pipes. An application of a double shot chip seal will be applied to each above mentioned road.	Gruber Excavating, Inc.	\$321,659.50

A contract for the construction of the Improvements was therefore awarded to said bidder, whereupon the County and the successful bidder entered into a written contract for construction of the Improvements upon the bidder having executed and filed bonds satisfactory to this Board

and in the form and manner provided by Montana Code Annotated, Title 18, Chapter 2, Part 2, as amended.

1.05. Costs. It is currently estimated that the costs and expenses to be assessed against properties benefited by the Improvements, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the assessments, the cost of work and materials under the construction contract, the costs of capitalizing interest, and all other costs and expenses, including the deposit of proceeds in the Revolving Fund, are \$537,000. Such amount will be levied and assessed upon the assessable real property within the District on the basis or bases described in the Resolution of Intention. This Board has jurisdiction and is required by law to levy and assess such amount, to collect such special assessments and credit the same to the rural special improvement district fund created for the District, which fund is to be maintained on the official books and records of the County separate from all other County funds, for the payment of principal and interest when due on the bonds herein authorized.

The Board now estimates the total costs of the Improvements and incidental costs to be as follows:

Construction	\$321,659.50
Preliminary Engineering and Planning	13,000.00
Contingency	59,120.99
County Administration	14,846.00
Engineering Design/Construction Mgmt	56,618.00
Capitalized Interest Fund Deposit	13,605.51
Revolving Fund Deposit	26,850.00
Costs of Issuance	31,300.00
Total	<hr/> \$537,000.00

1.06. Sale and Issuance of Bonds. For the purpose of financing the costs and expenses of making the Improvements, which are to be assessed against the property within the District as provided in the Resolution of Intention, this Board by Resolution No. 36-2007, adopted October 9, 2007, called for the public sale of bonds in the total aggregate amount of \$537,000 (the "Bonds"). Advertisements for bids for the purchase of the Bonds were published in accordance with the provisions of Montana Code Annotated, Sections 7-12-2172, 7-7-4252 and 17-5-106. The Board hereby authorized the County to accept the bid of Bitterroot Valley Bank, of Lolo, Montana (the "Purchaser"), pursuant to which the Purchaser agreed to purchase from the County the Bonds at a purchase price of \$537,000.00 (100% of par) plus interest accrued thereon from the date of original issue of the Bonds, at the rates of interest set forth in Section 2.01 hereof and upon the further terms set forth in this resolution resulting in a true interest cost of 4.311344% per annum and a total dollar interest cost of \$295,340.51.

1.07. Recitals. All acts, conditions and things required by the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 12, Part 21, as amended, in order to make the Bonds valid and binding special obligations in accordance with

their terms and in accordance with the terms of this resolution have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required.

## Section 2. The Bonds.

2.01. Principal Amount, Maturities, Denominations, Date, Interest Rates. For the purpose of paying the costs and expenses incurred in construction of the Improvements and associated costs, and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the proposal described in Section 1.06, the County shall forthwith issue and deliver to the Purchaser the Bonds payable from the Rural Special Improvement District No. 2505 Fund (the “District Fund”) and denominated “Rural Special Improvement District No. 2505 Bonds.” The Bonds shall be dated, as originally issued, and be registered as of November 15, 2007, shall each be in the denomination of \$5,000 or any integral multiple thereof of single maturities, except that one bond maturing in 2009 will be in the principal denomination of \$7,000, shall mature on July 1 in the years and principal amounts set forth below, and Bonds maturing in such years and principal amounts shall bear interest from the date of original registration until paid or duly called for redemption at the rates per annum set forth opposite such years and amounts, respectively:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2009	\$17,000	3.000%	2019	\$25,000	4.000%
2010	20,000	3.000	2020	25,000	4.000
2011	20,000	3.000	2021	30,000	4.000
2012	20,000	3.000	2022	30,000	4.250
2013	20,000	3.250	2023	30,000	4.250
2014	20,000	3.250	2024	35,000	4.250
2015	20,000	3.250	2025	35,000	4.500
2016	25,000	3.500	2026	35,000	4.500
2017	25,000	3.500	2027	40,000	5.000
2018	25,000	3.500	2028	40,000	6.000

Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

2.02. Interest Payment Dates. Interest on the Bonds shall be payable on each January 1 and July 1, commencing July 1, 2008, to the owners of record thereof as such appear on the bond registrar at the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day. Upon the original delivery of the Bonds to the Purchaser and upon each subsequent transfer or exchange of a Bond pursuant to Section 2.04, the Registrar shall date each Bond as of the date of its authentication.

2.03. Method of Payment. The Bonds shall be issued only in fully registered form. The interest on and, upon surrender thereof at the principal office of the Registrar (as hereinafter defined), the principal of each Bond, shall be payable by check or draft drawn on the Registrar.

#### 2.04. Registration.

The County hereby appoints U.S. Bank National Association, of Seattle, Washington, to act as registrar, transfer agent and paying agent (the “Registrar”). The County reserves the right to appoint a bank, trust company or financial institution as successor bond registrar, transfer agent or paying agent, as authorized by the Model Public Obligations Registration Act of Montana, Montana Code Annotated, Title 17, Chapter 5, Part 11, as amended (the “Registration Act”), but the County agrees to pay the reasonable and customary charges of the Registrar for the services performed. This Section 2.04 shall establish a system of registration for the Bonds as defined in the Registration Act.

The effect of registration and the rights and duties of the County and the Registrar with respect thereto shall be as follows:

(a) Bond Register. The Registrar shall keep at its principal office a bond register in which the Registrar shall provide for the registration of ownership of the Bonds and the registration of transfers and exchanges of the Bonds entitled to be registered, transferred or exchanged.

(b) Transfer. Upon surrender to the Registrar for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer of any Bond or portion thereof selected or called for redemption. No transfer or exchange of a Bond shall affect its order of registration for purposes of redemption pursuant to Section 2.05.

(c) Exchange. Whenever any Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds of a like aggregate principal amount, interest rate and maturity, as requested by the registered owner or the owner’s attorney duly authorized in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the County.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The County and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the

absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the County upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer of Bonds or exchange of Bonds (except an exchange upon a partial redemption of a Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the County and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the County. If the mutilated, destroyed, stolen or lost Bond has already matured or such Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

#### 2.05. Redemption.

(a) Mandatory Redemption. If on any interest payment date there will be a balance in the District Fund after payment of the principal and interest due on all Bonds drawn against it, either from the prepayment of special assessments levied in the District or from the transfer of surplus money from the Construction Account to the Principal Account as provided in Section 3.02 or otherwise, the County Treasurer shall call for redemption on the interest payment date outstanding Bonds, or portions thereof, in an amount which, together with the interest thereon to the interest payment date, will equal the amount of such funds on deposit in the District Fund on that date. The redemption price shall equal the amount of the principal amount of the Bonds to be redeemed plus interest accrued to the date of redemption.

(b) Optional Redemption. The Bonds are subject to redemption, in whole or in part, at the option of the County from sources of funds available therefor other than those described under the preceding subsection (a) (e.g., from proceeds of refunding bonds) on the terms of this paragraph. The Bonds with stated maturities on or after July 1, 2016 are subject to redemption on July 1, 2015, and any date thereafter, at the option of the County, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium.

(c) Selection of Bonds for Redemption; Partial Redemption. If less than all of the Bonds are to be redeemed, Bonds shall be redeemed in order of the stated maturities thereof. If less than all Bonds of a stated maturity are to be redeemed, the Bonds of such maturity shall be selected for redemption in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair. Upon partial redemption of a Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount thereof outstanding.

(d) Notice and Effect of Redemption. The date of redemption and the principal amount of the Bonds shall be fixed by the County Treasurer, who shall give notice by first class mail, postage prepaid, to the owner or owners of such Bonds at their addresses appearing in the bond register, of the numbers of the Bonds or portions thereof to be redeemed and the date on which payment will be made, which date shall be not less than thirty (30) days after the date of mailing notice. On the date so fixed interest on the Bonds or portions thereof so redeemed shall cease.

(e) Notification to the Paying Agent. Upon request by the County under the above Section 2.05(a) or 2.05(b), the Registrar shall give notice of redemption as directed, provided that the County has given the Registrar such request at least 45 days prior to the redemption date.

2.06. Form. The Bonds shall be drawn in substantially the form set forth in Exhibit A hereto, and by this reference made a part hereof, with such modifications as are necessary or appropriate or permitted by the Act.

2.07. Execution, Registration and Delivery. The Bonds shall be prepared under the direction of the County Treasurer and shall be executed on behalf of the County by the signatures of the Chair of the Board of County Commissioners, the County Clerk and Recorder and the County Treasurer; provided that the signatures and the corporate seal may be printed, engraved or lithographed facsimiles of the originals. The seal of the County need not be impressed or imprinted on any Bond. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this resolution unless a certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. The Bonds shall be registered in order of their serial numbers by the Registrar as of November 15, 2007. When the Bonds have been so executed, authenticated and registered, they shall be delivered by the Registrar to the Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed. The Purchaser shall not be obligated to see to the application of the purchase price, but from the proceeds of the Bonds the County Treasurer shall credit forthwith \$26,850.00 to the Revolving Fund, as required by Section 7-12-2153(2) of the Act, \$13,605.51 to the Interest Account to pay interest on the Bonds on July 1, 2008, any accrued interest to the Interest Account in the District Fund, and the balance of such proceeds to the Construction Account in the District Fund.



## 2.08. Securities Depository for the Bonds.

(a) For purposes of this Section 2.08, the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds the Bonds as securities depository.

“Representation Letter” shall mean the Blanket Issuer Letter of Representations from the County to DTC, attached to this resolution as Exhibit B, which is hereby incorporated by reference and made a part hereof.

(b) The Bonds shall be initially issued as separately authenticated fully registered Bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the Bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the County may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this Resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the County shall be affected by any notice to the contrary. Neither the Registrar nor the County shall have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other Person which is not shown on the Bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this Resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with the Representation Letter, and all such payments shall be valid and effective to fully satisfy and discharge the County’s obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the County to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to

substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the County determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of Bond certificates, the County may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the County and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The Representation Letter sets forth certain matters with respect to, among other things, notices, consents and approvals by registered owners of the Bonds and Beneficial Owners and payments on the Bonds. The Registrar shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this resolution.

(e) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of Bond certificates and the method of payment of principal of and interest on such Bonds in the form of Bond certificates.

### Section 3. District Fund; Assessments.

3.01. District Fund. There is hereby created and established the District Fund designated as the “Rural Special Improvement District No. 2505 Fund,” which shall be maintained by the County Treasurer on the books and records of the County separate and apart from all other funds of the County. Within the District Fund there shall be maintained three separate accounts, designated as the “Construction Account,” “Principal Account,” and “Interest Account,” respectively.

3.02. Construction Account. There shall be credited to the Construction Account certain proceeds of the sale of the Bonds as provided in Section 2.07. Any earnings on investment of money in the Construction Account shall be retained therein. All costs and expenses of constructing the Improvements to be paid from proceeds of the Bonds shall be paid from time to time as incurred and allowed from the Construction Account in accordance with the provisions of applicable law, and money in the Construction Account shall be used for no other purpose; provided that upon completion of the Improvements and after all claims and expenses with respect to the Improvements have been fully paid and satisfied, any money remaining in the Construction Account shall be transferred to the Principal Account and used to redeem Bonds as provided in Section 3.03.

3.03. Principal Account and Interest Account. Money in the Principal Account and the Interest Account shall be used only for payment of the principal of and interest on the Bonds as such payments become due or to redeem Bonds. From the proceeds of the Bonds, there shall be deposited in the Interest Account any interest on the Bonds accrued to the date of their delivery. Interest income on funds in the Principal and Interest Accounts shall be retained therein and used as any other funds therein.

Upon collection of the installment of principal and interest due on November 30 and May 31 of each fiscal year on the special assessments to be levied with respect to the Improvements, the County Treasurer shall credit to the Interest Account so much of said special assessments as is collected as interest payment and the balance thereof to the Principal Account, except that from the sale proceeds of the Bonds, the County Treasurer shall upon the issuance of the Bonds credit to the Interest Account \$13,605.51 to pay interest due on the Bonds on July 1, 2008. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the next succeeding interest payment date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited to the District Fund. All money in the Interest Account and the Principal Account shall be used first to pay interest due, and any remaining money shall be used to pay Bonds then due and, if money is available, to redeem Bonds in accordance with Section 2.05; provided that any money transferred to a Principal Account from the Construction Account pursuant to Section 3.02 shall be applied to redeem Bonds to the extent possible on the next interest payment date for which notice of redemption may properly be given pursuant to Section 2.05. Redemption of Bonds shall be as provided in Section 2.05, and interest shall be paid as accrued thereon to the date of redemption, in accordance with the provisions of Section 7-12-2174 of the Act.

3.04. Loans from Revolving Fund. The Board shall annually or more often if necessary issue an order authorizing a loan or advance from the Revolving Fund to the District Fund in an amount sufficient to make good any deficiency then existing in the Interest Account and shall issue an order authorizing a loan or advance from the Revolving Fund to the District Fund in an amount sufficient to make good any deficiency then existing in the Principal Account in such order and in each case to the extent that money is available in the Revolving Fund. A deficiency shall be deemed to exist in the Principal Account or the Interest Account if the money on deposit therein, on any December 15 or June 15 (excluding amounts in the Principal Account representing prepaid special assessments) is less than the amount necessary to pay Bonds due (other than upon redemption), and interest on all Bonds payable, on the next succeeding interest payment date.

Pursuant to Resolution No. 11-2007 adopted on May 8, 2007, the County has undertaken and agreed to provide funds for the Revolving Fund by levying such tax or making such loan from the General Fund as authorized by Montana Code Annotated, Section 7-12-2182. In the event that the balance on hand in the Revolving Fund fifteen days prior to any date when interest is due on special improvement district bonds or warrants of the County is not sufficient to make good all deficiencies then existing in the special improvement district funds for which the County has covenanted to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds of the special improvement districts in which such deficiencies then exist in proportion to the amounts of the deficiencies on the respective dates of receipt of such money, until all interest accrued on such special improvement district

bonds or warrants of the County has been paid. On any date when all accrued interest on special improvement district bonds and warrants of the County payable from funds for which the County has covenanted to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be lent or advanced to the special improvement district funds for payment and redemption of bonds to the extent the special improvement district funds are deficient for such purpose, and, if money in the Revolving Fund is insufficient therefor, pro rata, in an amount proportionate to the amount of such deficiency.

The County hereby determines, covenants and agrees to levy the property tax described in the immediately preceding paragraph to provide funds for the Revolving Fund so long as any Bonds are outstanding to the extent required under the provisions of this Resolution and the Act, even though such property tax levy may, under applicable law, require that property tax levies of the County for other purposes be reduced correspondingly. Accordingly, while any property tax levy to be made by the County to provide funds for the Revolving Fund is subject to levy limits under current law, the County agrees to levy property taxes to provide funds for the Revolving Fund to the extent described in this Section 3.04 and, if necessary, to reduce other property tax levies correspondingly to meet applicable levy limits.

Section 4. Covenants. The County covenants and agrees with the owners from time to time of each of the Bonds that until all the Bonds and interest thereon are fully paid:

4.01. Compliance with Resolution. The County will hold the District Fund and the Revolving Fund as trust funds, separate and apart from all of its other funds, and the County, its officers and agents, will comply with all covenants and agreements contained in this resolution. The provisions hereinabove made with respect to the District Fund and the Revolving Fund are in accordance with the undertaking and agreement of the County made in connection with the public offering of the Bonds and the sale of the Bonds as set forth in Section 1.06.

4.02. Construction of Improvements. The County will do all acts and things necessary to enforce the provisions of the construction contracts and bonds referred to in Section 1.04 and to ensure the completion of the Improvements for the benefit of the District in accordance with the plans and specifications and within the time therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the District Fund and within the amount of the proceeds of the Bonds appropriated thereto.

4.03. Levy of Assessments. The County will do all acts and things necessary for the final and valid levy of special assessments upon all assessable real property within the boundaries of the District in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States, in an aggregate principal amount not less than \$537,000. Such special assessments shall be levied on the basis or bases prescribed in the Resolution of Intention, and shall be payable in equal (within each fiscal year), semiannual installments over a period of 20 years, with interest on the whole amount remaining unpaid at an annual rate equal, as of the date of determination of the amount of each annual installment, to the sum of: (i) the average annual interest rate borne by the Bonds then outstanding, plus (ii) one-half of one percent (0.50%) per annum, interest being payable with principal installments. Given the increasing interest rates on the Bonds with later maturities and the need to reamortize the amount of payments annually, as the average annual interest rate on the Bonds increases, the

amount of special assessments payable each fiscal year is expected to increase annually. The assessments to be levied will be payable on the 30th day of November in each of the years 2008 through 2027, and on the 31st day of May in the years 2009 through 2028, inclusive, if not theretofore paid, and shall become delinquent on such date unless paid in full. Capitalized interest from proceeds of the Bonds will pay the interest on the Bonds due July 1, 2008; accordingly, the first partial payment of each assessment shall include interest on the entire assessment from July 1, 2008 to January 1, 2009, and each subsequent partial payment shall include interest for six months on that payment and the then remaining balance of the special assessment. The assessments shall constitute a lien upon and against the property against which they are made and levied, which lien may be extinguished only by payment of the assessment with all penalties, cost and interest as provided in Montana Code Annotated, Section 7-12-2168. No tax deed issued with respect to any lot or parcel of land shall operate as payment of any installment of the assessment thereon which is payable after the execution of such deed, and any tax deed so issued shall convey title subject only to the lien of said future installments, as provided in Montana Code Annotated, Section 15-18-214.

4.04. Reassessment. If at any time and for whatever reason any special assessment or tax herein agreed to be levied is held invalid, the County and this Board, its officers and employees, will take all steps necessary to correct the same and to reassess and re-levy the same, including the ordering of work, with the same force and effect as if made at the time provided by law, ordinance or resolution relating thereto, and will reassess and re-levy the same with the same force and effect as an original levy thereof, as authorized in Montana Code Annotated, Section 7-12-2165. Any special assessment, or reassessment or re-levy shall, so far as is practicable, be levied and collected as it would have been if the first levy had been enforced including the levy and collection of any interest accrued on the first levy.

If proceeds of the Bonds, including investment income thereon, are applied to the redemption of such Bonds, as provided in Montana Code Annotated, Sections 7-12-2173 and 7-12-2174, or if refunding bonds are issued and the principal amount of the outstanding Bonds of the District is decreased or increased, the County will reduce or increase, respectively, the assessments levied in the District and then outstanding pro rata by the principal amount of such prepayment or the increment above or below the outstanding principal amount of bonds represented by the refunding bonds. The County and this Board, its officers and employees will reassess and re-levy such assessments, with the same effect as an original levy, in such reduced or increased amounts in accordance with the provisions of Montana Code Annotated, Sections 7-12-2158 through 7-12-2159.

4.05. Absence of Litigation. There is now no litigation pending or, to the best knowledge of the County, threatened questioning the validity or regularity of the creation of the District, the contracts for construction of the Improvements or the undertaking and agreement of the County to levy special assessments therefor and to make good any deficiency in the collection thereof through the levy of taxes for and the making of advances from the Revolving Fund, or the right and power of the County to issue the Bonds or in any manner questioning the existence of any condition precedent to the exercise of the County's powers in these matters. If any such litigation should be initiated or threatened, the County will forthwith notify in writing the Purchaser, and will furnish the Purchaser a copy of all documents, including pleadings, in connection with such litigation.

4.06. Waiver of Penalty and Interest. The County covenants not to waive the payment of penalty or interest on delinquent assessments levied on property in the District for costs of the Improvements, unless the County determines, by resolution of the Board of County Commissioners, that such waiver is in the best interest of the owners of the outstanding Bonds.

Section 5. Tax Matters.

5.01. Use of Improvements. The Improvements will be owned and operated by the County and available for use by members of the general public on a substantially equal basis. The County shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the Improvements or security for the payment of the Bonds which might cause the Bonds to be considered “private activity bonds” or “private loan bonds” within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”).

5.02. General Covenant. The County covenants and agrees with the owners from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

5.03. Arbitrage Certification. The Chair of the Board, the County Clerk and Recorder and the County Treasurer, being the officers of the County charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds, it is reasonably expected that the proceeds of the Bonds will be used in a manner that would not cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations.

5.04. Arbitrage Rebate Exemption.

(a) The County hereby represents that the Bonds qualify for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the County represents:

(1) Substantially all (not less than 95%) of the proceeds of the Bonds (except for amounts to be applied to the payment of costs of issuance or representing accrued interest) will be used for local governmental activities of the County.

(2) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds and current refunding bonds) issued by or on behalf of the County and all subordinate entities thereof during 2007 is not reasonably expected to exceed \$5,000,000. To date in 2007, the County has issued no such tax-exempt bonds, except its \$783,000 Rural Special Improvement District No. 2503 Bonds, and in the calendar years 2002 through 2006, the County issued no such tax-exempt bonds.

(b) If notwithstanding the provisions of paragraph (a) of this Section 5.04, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Bonds, the County hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

5.05. Information Reporting. The County shall file with the Secretary of the Treasury, not later than February 15, 2008, a statement concerning the Bonds containing the information required by Section 149(e) of the Code.

5.06. “Qualified Tax-Exempt Obligations.” Pursuant to Section 265(b)(3)(B)(ii) of the Code, the County hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. The County has not designated any obligations in 2007 other than the Bonds under Section 265(b)(3). The County hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the County and all “subordinate entities” of the County in 2007 in an amount greater than \$10,000,000.

Section 6. Authentication of Transcript. The officers of the County are hereby authorized and directed to furnish to the Purchaser and to bond counsel certified copies of all proceedings relating to the issuance of the Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the County to issue the Bonds, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the County as to the truth of the statements purported to be shown thereby.

#### Section 7. Discharge.

7.01. General. When the liability of the County on all Bonds issued under and secured by this resolution has been discharged as provided in this Section 7, all pledges, covenants and other rights granted by this resolution to the owners of such obligations shall cease.

7.02. Payment. The County may discharge its liability with reference to any Bond or installment of interest thereon which is due on any date by on or before that date depositing with the Registrar funds sufficient, or, if a County officer is the Registrar, mailing to the registered owner of such Bond a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full; or if any Bond or installment of interest thereon shall not be paid when due, the County may nevertheless discharge its liability with reference thereto by depositing with the Registrar funds sufficient, or, if a County officer is the Registrar, by mailing to the registered owner thereof a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full with interest accrued to the date of such deposit or mailing.

7.03. Prepayment. The County may also discharge its obligations with respect to any Bonds called for redemption on any date when they are prepayable according to their terms, by

on or before that date depositing with the Registrar funds sufficient, or, if a County officer is the Registrar, mailing to the registered owner of such Bond a check or a draft in a sum sufficient and providing proceeds available, for the payment of the principal, interest and redemption premium, if any, which are then due; provided that notice of such redemption has been duly given as provided herein or irrevocably provided for.

7.04. Escrow. The County may also at any time discharge its liability in its entirety with reference to the Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal and interest to become due on all Bonds on or before maturity or, if any Bond has been duly called for redemption or notice of such redemption has been irrevocably provided for, on or before the designated redemption date.

7.05. Irrevocable Deposits. If an officer of the County is the Registrar, any deposit made under this Section 7 with the Registrar shall be irrevocable and held for the benefit of the owners of Bonds in respect of which such deposits have been made.

#### Section 8. Continuing Disclosure.

(a) Purpose and Beneficiaries. Although the original purchaser and other participating underwriters in the primary offering of the Bonds need not comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the “Rule”), in respect of the primary offering of the Bonds, because the aggregate principal amount of the Bonds and any other securities required to be integrated with the Bonds is less than \$1,000,000, to enhance the marketability of the Bonds, the County nevertheless hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The County is the only “obligated person” in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

If the County fails to comply with any provisions of this Section 8, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section 8, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 8 constitute a default under the Bonds or under any other provision of this resolution.

As used in this Section 8, “Owner” or “Bondowner” means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any “Beneficial Owner” (as hereinafter defined) thereof, if such Beneficial Owner provides to



the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, “Beneficial Owner” means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information to be Disclosed. The County will provide, either directly or indirectly through an agent designated by the District, the following information at the following times in an appropriate manner:

(1) At least annually to the state information depository then designated or operated by the State of Montana (the “State Depository”), if any, or, if no State Depository then exists, to any person or entity upon request, the information (the “Disclosure Information”) of the type described below, which information may be unaudited and which, for financial statement information, shall be for the most recent fiscal year of the County (if in response to a request, the most recent fiscal year ending not less than 270 days before the date of the request), and, for other such information, the information most recently compiled by the County on a customary basis and publicly available under applicable data privacy or other laws:

(A) the audited financial statements of the County for such fiscal year, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the County, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the County, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the County; and

(B) To the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the County’s financial officer to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources:

1) updated information for the then most recent completed fiscal year concerning the Revolving Fund Cash Balance and outstanding Bonds secured thereby;

2) a description of any rural special improvement district bonds issued during the fiscal year;

3) updated information for the then most recent completed fiscal year concerning special improvement district assessment billings and collections; and

4) updated information for the then most recent completed fiscal year concerning a Statement of Changes in Fund Balance of the Revolving Fund;

5) the market and taxable valuations of the County for the then current fiscal year; and

6) tax collection information for the then most recent completed fiscal year in format similar to the table in the section captioned "Tax Collections" in the Official Statement, dated October 30, 2007.

The County Clerk and Recorder is hereby designated as the proper recipient of requests for Disclosure Information.

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to each of the repositories hereinafter referred to under subsection (b) or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section 8 is amended as permitted by paragraph (b)(1), then the County shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided. Such explanation shall include any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information or the audited financial statements, if any, furnished pursuant to subsection (b)(2) or (3) are prepared.

(2) In a timely manner, to the Municipal Securities Rulemaking Board and to the State Depository, if any, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

(A) Principal and interest payment delinquencies;

- (B) Non-payment related defaults;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (G) Modifications to rights of security holders;
- (H) Bond calls;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities; and
- (K) Rating changes.

As used herein, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a “Material Fact” is also an event that would be deemed “material” for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, to the Municipal Securities Rulemaking Board and to the State Depository, if any, notice of the occurrence of any of the following events or conditions:

- (A) the failure of the County to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
- (B) the amendment or supplementing of this Section 8 pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the County under subsection (d)(2);
- (C) the termination of the obligations of the County under this Section 8 pursuant to subsection (d); and
- (D) any change in the fiscal year of the County.

(c) Term; Amendments; Interpretation.

(1) The covenants of the County in this Section 8 shall remain in effect so long as any Bonds are Outstanding.

(2) This Section 8 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the County from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the County accompanied by an opinion of Bond Counsel, who may rely on certificates of the County and others and the opinion may be subject to customary qualifications, to the effect that such amendment or supplement (A) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of operations conducted by the County, or (B) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule, assuming that such provisions apply to the Bonds.

If the Disclosure Information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This Section 8 is entered into as a continuing disclosure undertaking to provide continuing disclosure identical to that required by the continuing disclosure provisions of the Rule and should be construed so the undertaking would satisfy the requirements of paragraph (b)(5) of the Rule, assuming it was otherwise applicable to the Bonds.

#### Section 9. Repeals and Effective Date.

9.01. Repeal. All provisions of other resolutions and other actions and proceedings of the County and this Board that are in any way inconsistent with the terms and provisions of this resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this resolution.

9.02. Effective Date. This resolution shall take effect immediately upon its passage and adoption by this Board.

PASSED by the Board of County Commissioners of Jefferson County, Montana, this 6th day of November, 2007.

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Chair of the Board of Commissioners

Attest:

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County Clerk and Recorder

(SEAL)

EXHIBIT A

[Face of the Bond]

UNITED STATES OF AMERICA  
STATE OF MONTANA

**JEFFERSON COUNTY**

RURAL SPECIAL IMPROVEMENT  
DISTRICT NO. 2505 BOND

Interest at the rate per annum specified below  
payable July 1, 2008 and  
semiannually thereafter  
on the 1st day of January and the 1st day of July in each year

No. \_\_\_\_\_ \$\_\_\_\_\_.00

<u>Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
%	July 1,	November 15, 2007	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS AND NO/100

FOR VALUE RECEIVED, Jefferson County, Montana (the "County"), will pay to the registered owner identified above, or registered assigns, on the maturity date specified above the principal amount specified above, solely from the revenues hereinafter specified, as authorized by Resolution No. 39-2007 adopted November 6, 2007 (the "Resolution"), all subject to the provisions hereinafter described relating to the redemption of this Bond before maturity. This Bond bears interest at the rate per annum specified above from the date of registration of this Bond, as expressed herein, or from such later date to which interest hereon has been paid or duly provided for, until the maturity date specified above or an earlier date on which this Bond shall have been duly called for redemption by the County Treasurer. Interest on this Bond is payable semiannually, commencing July 1, 2008, on the first day of January and the first day of July in each year, to the owner of record of this Bond appearing as such in the bond register as of the close of business on the 15th day (whether or not such is a business day) of the immediately preceding month. Interest on and, upon presentation and surrender hereof at the operations center of the bond registrar and paying agent hereinafter named, the principal of this Bond are payable by check or draft of U.S. Bank National Association, as Bond Registrar, Transfer Agent and Paying Agent, at its operations center in St. Paul, Minnesota, or its successor designated under the Resolution (the "Registrar"). The principal of and interest on this Bond are payable in lawful money of the United States of America.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the County.

This Bond is one of an issue in the aggregate principal amount of \$537,000 (the “Bonds”), all of like date of original issue and tenor, except as to serial number, denomination, date, interest rate, redemption privilege, and maturity date. The Bonds are issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 12, Part 21, as amended (the “Act”), to finance the costs of certain local improvements (the “Improvements”) for the special benefit of property located in Rural Special Improvement District No. 2505 of the County (the “District”). The Bonds are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof, except that one bond maturing in 2009 will be in the principal amount of \$7,000.

This Bond is payable from the collection of a special tax or assessment levied upon all assessable real property within the boundaries of the District, in an aggregate principal amount of not less than \$537,000, except as such amount may be reduced or increased in accordance with provisions of Montana law. Such assessments constitute a lien against the assessable real estate within the District and are to be deposited into the Rural Special Improvement District No. 2505 Fund of the County (the “District Fund”). The County has established in the District Fund from which moneys are to be applied to pay principal of and interest on the Bonds in the event collections of special assessments are insufficient therefor. The Bonds are not general obligations of the County.

The County has also validly established a Rural Special Improvement District Revolving Fund (the “Revolving Fund”) to secure the payment of certain of its rural special improvement district bonds, including the Bonds. The County has also agreed, to the extent permitted by the Act, to issue orders annually authorizing loans or advances from the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the Bonds, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the County’s then outstanding rural special improvement district bonds secured thereby and the durational limitations specified in the Act. While any property tax levy to be made by the County to provide funds for the Revolving Fund is subject to levy limits under current law, the County has agreed in the Resolution to levy property taxes to provide funds for the Revolving Fund to the extent described in this paragraph and, if necessary, to reduce other property tax levies correspondingly to meet applicable levy limits.

The Bonds are subject to mandatory redemption in order of stated maturities and within a stated maturity in \$5,000 principal amounts selected by lot or other manner deemed fair by the Registrar on any interest payment date if, after paying all principal and interest then due

on the Bonds, there are funds to the credit of the District Fund, from the prepayment of assessments levied in the District or from surplus proceeds of the Bonds not required to pay costs of the Improvements, for the redemption thereof, and in the manner provided in the Resolution for the redemption of the same.

The Bonds are subject to redemption, in whole or in part, at the option of the County from sources of funds available therefor other than those described in the preceding paragraph regarding mandatory redemption and other than from any amounts on deposit in a Reserve Account (e.g., from proceeds of refunding bonds) on the terms of this paragraph. The Bonds with stated maturities on or after July 1, 2016 will be subject to redemption on July 1, 2015, and any date thereafter, at the option of the County, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium. The redemption price is equal to the principal amount of the Bonds or portions thereof to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption and principal amount shall be fixed by the County Treasurer, who shall give notice thereof to the Registrar in sufficient time for the Registrar to give notice, by first class mail, postage prepaid, or by other means required by the securities depository, to the owner or owners of such Bonds at their addresses shown on the bond register, of the Bonds or portions thereof to be redeemed and the date on which payment will be made, which date shall not be less than thirty (30) days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the Bonds or portions thereof so redeemed shall cease to accrue. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

The Bonds have been designated by the County as “qualified tax-exempt obligations” pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the County at the operations center of the Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange, the County will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

The County and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the County nor the Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this Bond have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions and ordinances of Jefferson County, Montana, relating to the issuance thereof;

and that the opinion attached hereto is a true copy of the legal opinion given by Bond Counsel with reference to the Bonds, dated the date of original issuance and delivery of the Bonds.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication and Registration herein shall have been executed by the Registrar by the manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, Jefferson County, Montana, by its Board of County Commissioners, has caused this Bond and the certificate to be executed by the facsimile signatures of the Chair of the Board of County Commissioners, the County Clerk and Recorder and the County Treasurer, and by a facsimile of the official seal of the County.

(Facsimile Signature)  
Chair, Board of County Commissioners

(Facsimile Signature)  
County Clerk and Recorder

(Facsimile Seal)

(Facsimile Signature)  
County Treasurer

Dated:

#### CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned within.

U.S. BANK NATIONAL ASSOCIATION,  
as Bond Registrar, Transfer Agent and Paying  
Agent

By \_\_\_\_\_  
Authorized Representative



The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants  
in common

UTMA. . . . .Custodian. . . . .  
(Cust) (Minor)

TEN ENT -- as tenants  
by the entireties

JT TEN -- as joint tenants  
with right of  
survivorship and  
not as tenants in  
common

under Uniform Transfers  
to Minors Act . . . . .  
(State)

Additional abbreviations may also be used.

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#### ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

PLEASE INSERT SOCIAL SECURITY  
OR OTHER IDENTIFYING NUMBER  
OF ASSIGNEE:

\_\_\_\_\_  
/ /

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration, enlargement or any change whatsoever.

#### SIGNATURE GUARANTEED

\_\_\_\_\_  
Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Bond Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.